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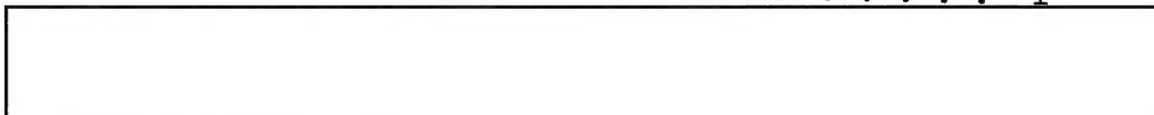
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Labor Situation in Iceland Worsens

A government-labor confrontation in Iceland, which has been simmering for several weeks, heated up last week when non-union employees of three state-owned industries decided to defy a government decree ordering them back to work.

The employees, who have been on strike since May 12, received strong support from the Icelandic Federation of Labor. The IFL has threatened to begin a general strike if a new wage settlement is not reached by June 11. The employees' decision to ignore the government will encourage the IFL to do the same if the government decrees a similar back to work order.

The current dispute began in March when the IFL threatened to call a general strike because general contract negotiations were making little progress. A temporary agreement, which expired on June 1, postponed the general strike, but negotiations got nowhere and the strike threat was renewed.

Labor's demands during the current round of negotiations include a 38 or 39 percent wage increase and restoration of the wage-price link. The government believes the economy cannot tolerate such demands. The government's next move will be crucial, because a lengthy general strike would also be disastrous for the economy.

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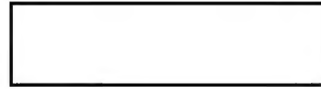
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Bonn and Pankow Struggle in Negotiating a  
Package Deal on Berlin Access Routes

The two Germanies have made little progress during the past three months toward reaching a "package agreement" to improve land access routes in and around Berlin. Sharp disagreements on financial arrangements ensure that no successful conclusion is likely in the near future.

Rail and road routes are considered separately but all negotiations have been held in East Berlin between Bonn's permanent representative, Guenter Gaus, and East German Transportation Ministry officials. The negotiators have agreed that the restoration of the Helmstedt-Berlin Autobahn should have top priority. Proposals to widen Berlin's outerbelt to six lanes and to construct a new Autobahn between the city and Hamburg are regarded as long-term projects.

Talks on rail routes have focused on an East German proposal to double-track three existing rail lines between West Berlin and the Federal Republic. These improvements may eventually cost nearly one billion dollars and both sides seem to regard this project as a long-term matter.

Chancellor Schmidt wants to apportion all costs. West German officials have argued, for example, that Pankow is responsible for maintaining the Helmstedt Autobahn and must therefore assume a substantial share of improvement costs. The East Germans claim that they should not assume any new financial burdens.

Another factor that has slowed progress is Pankow's unwillingness to talk with Bonn about

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purely Berlin aspects of the projects--possible new crossing points and the projected construction of three new rail terminals in West Berlin. East German officials deny Federal competence on Berlin matters and insist that discussions be held only between Pankow and the West Berlin Senat.

The third part of the package deal concerns Pankow's proposal to reopen the Teltow canal that traverses Berlin. No talks have been held. Pankow is again only willing to negotiate with the Senat which is still waiting for the three Western Allies to grant permission to begin the talks.

This delay will probably be only temporary. The third round of negotiations on road routes will be held on June 11, and on rail routes on July 1.



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Compromise by Socialist Party Will Ease Tensions  
in Portugal

Portuguese Socialists reached an agreement with representatives of the Armed Forces Movement last Friday that enables them to back down from their challenge to the military government and to resume participation in cabinet meetings. The agreement will ease political tensions in Lisbon, at least for the moment.

The solution appears to be a temporary one at best. It is likely that neither side wanted a showdown at this time, and both gave some ground without settling their major differences.

The Socialists' decision to compromise was aided by the military's promise to put pressure on Communist printers to accept the reopening of the Socialist newspaper Republica--the closure of which triggered the Socialist boycott. Party leaders believe the paper will resume publication in a few days.

No concrete action has been taken by the government to meet Socialist demands that disproportional Communist influence in the trade unions, mass media, and local governments be curbed. The Movement did, however, issue a statement recognizing certain "distortions" in the political structure and promising to correct them.

Military leaders also agreed to safeguard the activities of the constituent assembly, which held its opening session today. The Socialists hope the assembly will provide a public forum for the moderate political parties,

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even though the Armed Forces Movement will make certain the assembly stays well within its mandate.

The Socialists will play a dominant role in the assembly since they control 116 of the 249 seats and their candidate will probably be elected assembly president. They plan to focus debate at the assembly on human rights, justice, and municipal governments--subjects not covered in the agreement on the constitution signed by the Movement and the political parties before the election.

The Popular Democrats--the second largest delegation with 81 seats--also hope to play a major part in the assembly's deliberations. The Popular Democrats have suffered from a lack of leadership in recent months largely because of the illness of Secretary General Sa Carneiro.

To organize for the constituent assembly, the party has elected an interim leader, Emidio Guerreiro, who has a history of opposition to the Salazar regime. Guerreiro was a surprise choice, but possibly the only compromise acceptable to all factions of the divided party.

A "unitary action" rally was held last night to welcome Prime Minister Goncalves back from the Brussels NATO summit. The rally is part of the Movement's new policy of strengthening the relationship between the "people" and the military government, de-emphasizing political parties.

A similar demonstration held last week was organized by the Communists, but this one was sponsored by "a committee of democrats and anti-fascists with no party affiliations." One member of the committee is reportedly a close associate of Admiral Rosa Coutinho, who has advocated the creation of a new civilian movement to parallel and collaborate with the ruling Armed Forces Movement.

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